



Department of Consumer Affairs
Office of Financial Empowerment

Promoting Savings at Tax Time: How EITC Presents an Asset-Building Moment

September 26, 2011
10:45 a.m.

2011 Northeast Family Strengthening Conference

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OFE's Strategic Priorities

Educate

- Increase access and strengthen quality of financial education services
- Coordinate large-scale public awareness campaigns, including the annual Tax Credit Campaign

Empower

- Research and develop safe and affordable banking and asset-building products, in partnership with financial institutions
- Share best practices and influence national policy with Cities for Financial Empowerment and other partners

Protect

- Protect workers with low incomes from unfair and predatory practices through targeted advocacy and enforcement



Presentation Overview





Tax Season Opportunities

Significant amount of money through a tax refund

- Earned Income Tax Credit (EITC) refund is often the single biggest check a household receives all year
 - Average EITC refund is about \$2,500
- New York City filers receive federal, state and city EITC
 - Potential to receive up to \$7,600

Unique decision-making opportunity

- Filing return is the only way to receive tax credits
- Tax time presents a windfall moment
 - Opportunity to make choices about the family\household finances
- NYC research shows EITC filers are twice as likely to be savers
- Challenge is that many have already mentally accounted for how to use the refund



NYC Tax Credit Coalition

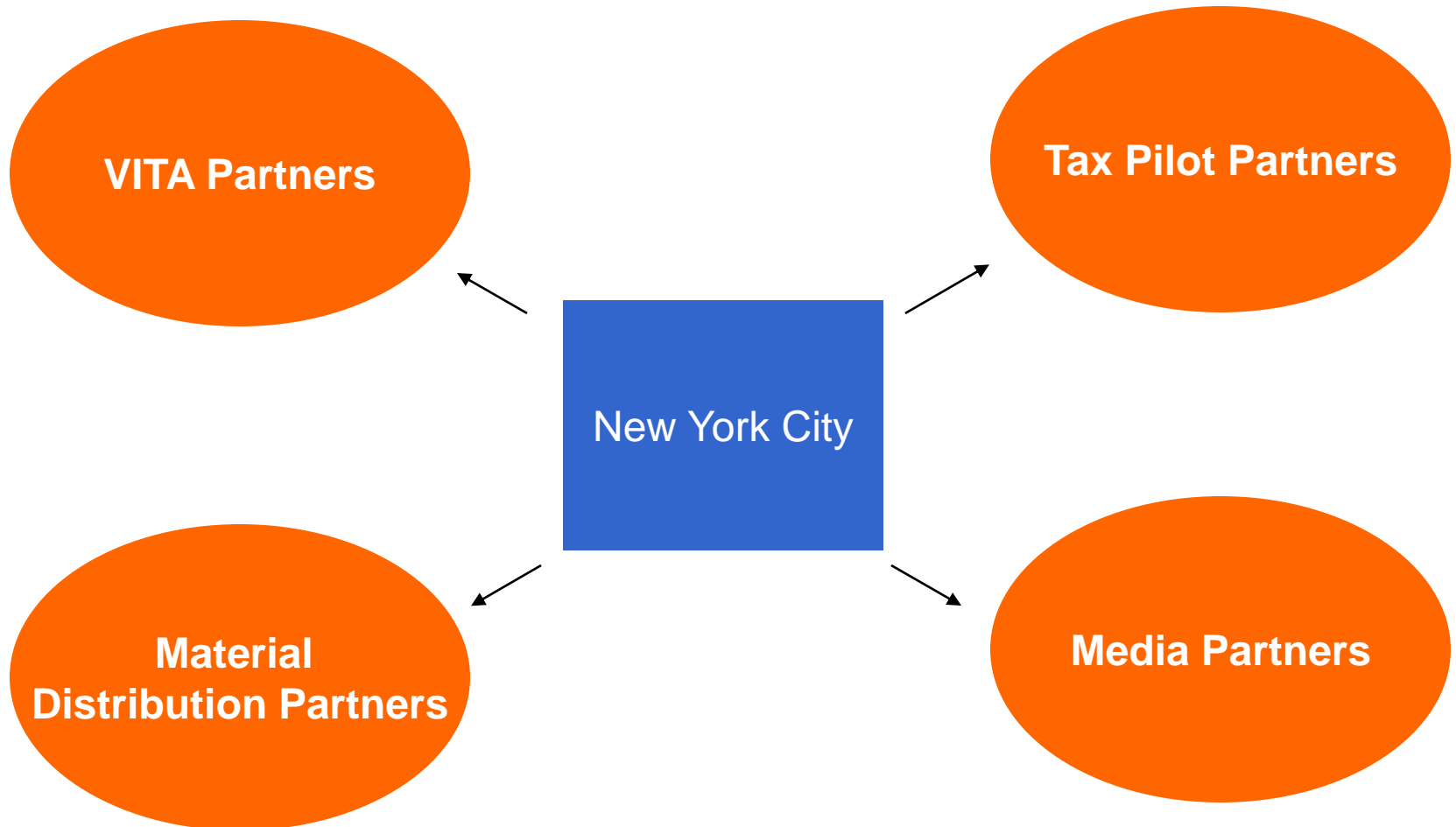
Outreach Efforts

- Increase awareness about the Earned Income Tax Credit (EITC) and other tax credits, such as the NYC Child Care Tax Credit
 - Newspaper, subway and phone kiosk ads, McDonald's tray liners, press outreach
- Distribution of materials through wide network of partners, including City Agencies and community-based organizations
 - More than 777,000 tax time brochures distributed (2011)
 - More than 11,000 posters distributed (2011)

Tax Preparation Efforts

- Increase access to safe, free or low-cost tax preparation services

NYC Tax Credit Coalition Universe





NYC Tax Credit Coalition: Numbers Through the Years

	Returns at VITA	Returns through Partnerships Commercial Tax Preparers	Returns through Online Tax Preparation
2009	77,005	3,925 (Tax Prep Plus)	
2010	68,981		3,626
2011	72,715	13,224 (H&R Block Coupon)	6,296



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\$aveNYC & SaveUSA



Program & Policy Rationale: Savings Behavior

- Thousands of unbanked NYC residents and many have no savings
 - Over 400,000 unbanked households (825,000 adults) live in NYC
- Indicators of savings behavior
 - 80% of respondents who exclusively use banks reported having savings
 - Only 4% of those lacking a bank account have any retirement savings



Program & Policy Rationale: Savings Behavior

- Need for savings incentives for these populations
 - 67% of savings accounts available in communities earn less than 1% in interest, and 79% have monthly maintenance fees of \$3 or more
 - Federal tax incentives geared towards more high-income groups
- Short-term emergencies were more common than long-term savings goals
 - 28% of savers cite emergencies as reason to save
 - Only 11% point to future savings goals as a motivator



\$aveNYC Account Program

In 2007, NYC launched a small-scale pilot to test whether we could increase savings at tax time among low-income households by providing the opportunity and an incentive

- Open account at VITA site by direct depositing at least \$200 from tax refund
- Restricted Access: 50% match – up to \$500 – if participants save for one year
- Not tied to long-term asset goal: \$200 minimum deposit with no savings goal attached





\$aveNYC Account Pilot Program: Program Design

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- Raise private funds for program grants and match funds to partners
- Train Asset Specialists
- Develop \$aveNYC account features
- Develop marketing material and outreach strategy
- Conduct research

Community Organizations

- Manage free tax sites
- Partner with financial institution
- Hire and supervise Asset Specialists
- Market program to clients and open account
- Provide reports during and after tax season

Financial Institutions

- Hold account for all participants
- Allow for on-site account opening
- Provide quarterly account reports to OFE
- Administer match to full year savers



Behaviorally-Informed Design

Limit Choices

Direct depositing at least \$200
from tax refund

50% match *if* participants
save for 1 year



- Standardized program / account features
- Only one financial institution at the VITA site

Hassle Factors

Account opening at VITA site



- 67% reported that ease of opening \$aveNYC account influenced decision to open “A LOT” – only 64% said the same about the match!

Behaviorally-Informed Design

Mental Accounting



- 59% participated because funds would be hard to access
- All participants intend to save for the full year; think of this money as savings.

“(\$aveNYC) is money I know I have and cannot touch.”

Loss Aversion



- Only 20% did not save for the full year
- 82% of those who withdrew funds early, did so for an unexpected expense / emergency

“I'm a single parent so I was hoping to save that money for an emergency or anything my daughter needed”



\$aveNYC: Highlights of Research Findings

- Low income households can save when given the right incentive and opportunity

\$aveNYC Highlights	2008	2009	2010
Accounts Opened at VITA Site	177	1063	1446
Accounts Funded	151	952	1370
Average Savings	\$387	\$381	\$710
Participation Rate (eligible)	6%	9%	10%
Full Year Savers	78%	80%	79%
Average Savings One Year Later	\$637	\$623	\$1149



\$aveNYC: Highlights of Research Findings

Attracts very low wage workers with little history of savings

- Savers have very low incomes
 - Average income: \$17,504
 - Two-thirds have income less than \$20,000
- Little savings history
 - 26% were unbanked at program start
 - 50% had no savings account
 - 63% had less than \$500 in savings when they opened the account
- Those with higher refunds are more likely to save





\$aveNYC: Highlights of Research Findings

Participants are saving for stability and continue to save

- Majority of participants are saving for emergencies / unexpected expenses
 - 73% are saving for emergencies or general purposes
 - 82% used their savings for emergencies or unexpected expenses
- Half of all participants continued to save after receiving the match
 - 80% of account-holders saved for the full year; and 70% continued saving after receiving their match
 - 24% participated again in the program by saving a portion of their tax refund in 2009 and/or 2010



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(Social Innovation Fund)





SaveUSA: \$aveNYC Pilot Replicated through Social Innovation Fund

- Four cities implemented SaveUSA during 2011 tax season:
 - New York, NY: *Food Bank For New York City & Ariva*
 - Newark, NJ: *Newark Now*
 - San Antonio, TX: *United Way*
 - Tulsa, OK: *Community Action Partners (CAP)*
- Three-year program implementation (2011-2013), research through 2015
- Use of random assignment in New York and Tulsa
 - SaveUSA Group: Able to open a SaveUSA account; Control Group: Enrolled in study but not able to open an account



Program Implementation: Lessons for Replication

Staffing

- Single point of contact responsible for program management
 - Organizations selected a program coordinator to work with all relevant partners to serve as the liaison between partners
- Dedicated staff to market the program and facilitate enrollment
 - Asset Specialists introduced in second year resulted in increased participation
- Site staff and volunteers need to be aware of the program
 - Trainings modules developed for site staff and volunteers to include \$aveNYC or SaveUSA

Partner Incentives

- Performance-based contracting included to motivate increased take-up rates



Program Implementation: Lessons for Replication

Outreach

- Consistent and relevant messages important for the program to resonate
 - “What will you save for” message helped focus attention on customized savings goals
- Asset Specialists targeted efforts to increase participation rates
 - Data helped identify that filers with larger refunds were most likely to participate

VITA Site Flow

- Best program results based on VITA partners who found ways to seamlessly integrate program into their site flow
 - Program enrollment needed to be minimally disruptive to the current tax preparation process
 - Filers needed to view the program as part of the process, not an additional service



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